

"There was modest office leasing activity during the second quarter, but significantly less in comparison to the same time last year. Corporations are taking the wait and see approach. We are hopeful for increased tenant activity in the second half of 2008."

- Kevin Wille, Senior Vice President

QUICK STATS

		Change from last	
	Current	Yr.	Qtr.
Vacancy	13.32%	↑	↑
Lease Rates	\$23.16	↑	↓
YTD Net Absorption*	328,054 SF	↓	↑
YTD Deliveries	898,024 SF	↓	↑
Under Construction	2,125,425 SF	↓	↓

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

HOT TOPICS

- Employment growth in the life sciences and biotech industries is supporting demand for office space.
- Underlying market fundamentals remain strong, pointing towards healthy market conditions in the second half of 2008.
- Despite a healthy number of tenants in the market, economic uncertainties are causing companies to hesitate in their decisions whether or not to lease.

Maryland's economy is not impervious to the fiscal stresses originated by the credit crisis and increasing energy and food costs; the effects of which are now beginning to manifest in the local market. While modest net absorption occurred in office space during the second quarter, the Central Business District office submarket recorded more than 65,000 square feet of negative absorption.

The second quarter of 2008 marked two landmark events for the Columbia submarket, where both Merkle Marketing and Integral Systems, Inc. relocated their headquarters to Columbia from Prince George's County, located within the Washington, DC Office market.

New office construction has begun to decrease as more than two million square feet, valued at more than \$1 billion in planned developments, in the Baltimore metro area has stalled. The majority was slated for downtown. Despite the delay and deserted office projects in the pipeline, almost 900,000 square feet with an aggregate value of \$550 million of office and mixed-use projects have been completed in the first half of 2008, which is twice the value of projects completed downtown in 2007.

Preston Partners recently announced they would abandon their plans to build 1.6

million square feet of office near the BWI Airport, opting to build apartment buildings at the site. The slowdown will help balance existing supply and tenant demand, and ensure new office space does not exceed the demand among Baltimore employers.

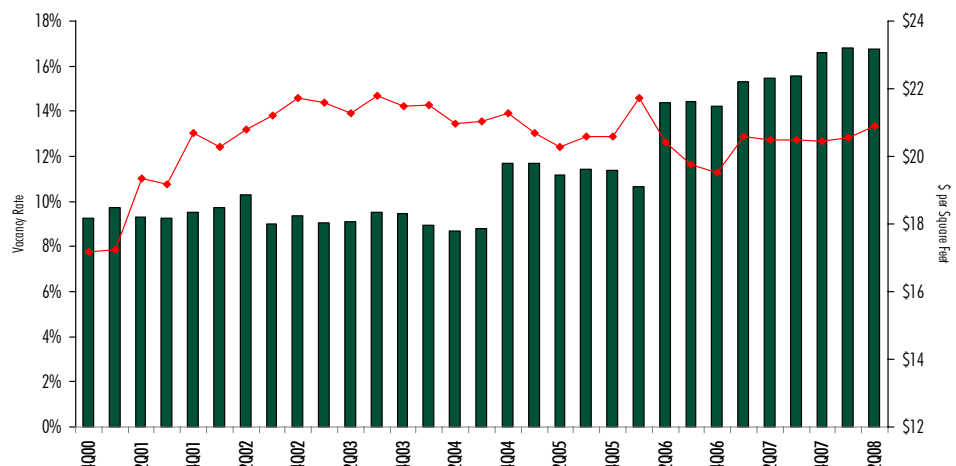
Baltimore City's life sciences industry is expected to help drive a great deal of the City's growth in the upcoming years, both in terms of development and employment. At the newly delivered Science & Technology Center, a life sciences office building adjacent to Johns Hopkins Hospital, 34% of the 295,000-square-foot building was leased to Johns Hopkins School of Medicine for Biomedical Sciences.

The Baltimore metro employment scenario has shown positive results but in small increments. Health services and life sciences segments have been expanding throughout 2008, while the finance and construction industries have been slowly shedding jobs throughout the year.

Investment and private capital sales of office buildings are down 86% from this time last year. The perceived risk of the Baltimore Office Market is reducing deal volume. In addition, leveraged buyers are having difficulty securing funds for larger deals, a result of the recent tightening of the credit markets.

Metropolitan Baltimore Historical Vacancy and Rental Rates

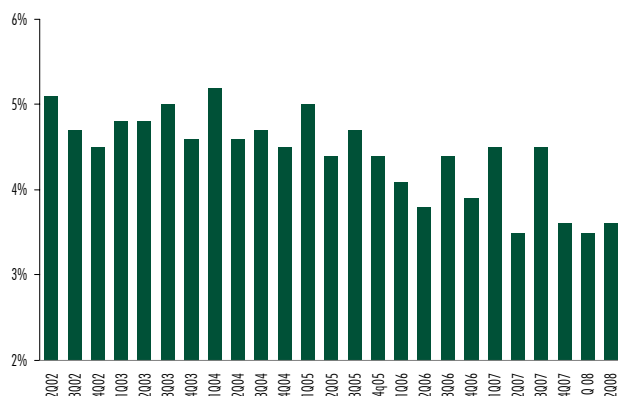
Average Asking Rent ■ \$23.16
 Vacancy Rate ■ 13.32%



Submarket	Inventory	Direct Vacancy Rate	Sublet Rate	Net Absorption 2008 YTD	Square Feet Under Construction	Avg. Asking Rental Rate
Class "A+" CBD	4,291,583	7.97%	1.14%	(113,652)	-	\$27.63
Class "A" CBD	4,883,419	13.27%	0.00%	73,886	-	\$25.28
Class "B" CBD	4,017,215	11.32%	1.56%	60,554	-	\$19.42
Downtown Total	13,192,217	10.65%	0.82%	20,788	-	\$24.11
Baltimore City East	3,341,422	13.29%	0.16%	(68,771)	579,230	\$29.50
Baltimore City West	1,849,280	35.41%	1.28%	23,790	-	\$22.41
Baltimore City North	692,606	5.59%	0.00%	16,311	29,000	\$19.50
Midtown/Mt. Vernon	655,769	10.60%	0.00%	(16,714)	-	\$18.40
Baltimore City (Non-CBD)	6,539,077	18.02%	0.00%	(45,384)	608,230	\$22.45
BALTIMORE CITY TOTAL	19,731,294	13.35%	0.77%	(24,596)	608,230	\$23.28
Annapolis	2,242,083	6.06%	1.86%	50,938	125,000	\$30.18
BWI	6,566,089	12.34%	1.89%	101,913	593,493	\$26.67
Columbia	10,931,269	12.30%	2.77%	(4,037)	56,700	\$25.45
Ellicott City	487,761	6.21%	0.00%	8,802	-	\$22.03
Route 2/3	833,858	7.93%	0.29%	(11,561)	-	\$23.13
Lower Suburban	21,061,060	11.33%	2.24%	146,055	775,193	\$25.49
East Baltimore County	991,684	17.91%	0.13%	34,712	-	\$20.80
Reisterstown Rd Corridor	3,871,598	16.37%	1.42%	74,960	484,970	\$21.31
Harford County	595,987	10.06%	0.24%	3,969	-	\$19.59
Hunt Valley	3,802,171	9.69%	0.33%	111,472	257,032	\$23.29
Towson/Timonium	6,593,587	9.07%	0.60%	(22,420)	-	\$20.88
West Side	2,278,044	11.19%	0.13%	3,902	-	\$17.38
Upper Suburban	18,133,071	11.54%	0.62%	206,595	742,002	\$20.54
SUBURBAN TOTAL	39,194,131	11.43%	1.49%	352,650	1,517,195	\$23.02
METROPOLITAN TOTAL	58,925,425	12.07%	1.25%	328,054	2,125,425	\$23.16

UNEMPLOYMENT RATE

Unemployment 3.6%

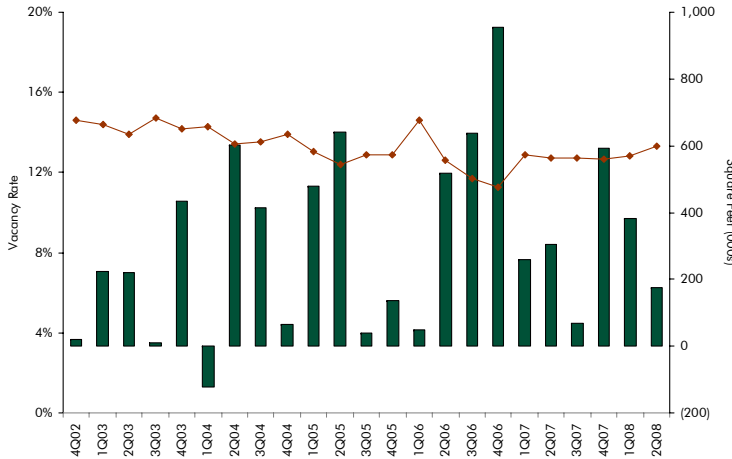


Source: Maryland Department of Labor & Licensing Regulation

The unemployment rate in the Baltimore MSA increased from 3.5% to 3.6% in the second quarter of 2008. The City of Baltimore maintained the highest rate of unemployment at 5.4%, while continuous growth in Howard County supported the lowest rate at 2.4%. Overall employment in the state of Maryland remained healthy with an unemployment rate of 3.4%, lower than the national average of 5.0%.

HISTORICAL VACANCY/NET ABSORPTION

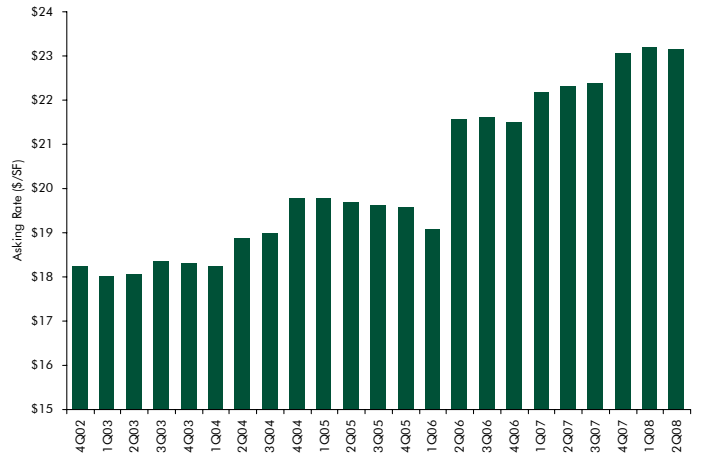
Net Absorption 174,690 SF
Vacancy 13.32%



The overall vacancy rate for the second quarter was 13.32%, a minor increase from the 13.30% recorded in the first quarter of 2008. Both the Upper and Lower Suburban markets both absorbed over 90,000 square feet during the second quarter. Absorption in the Columbia submarket was supported by the delivery of Merkle Marketing's new build-to-suit headquarters in Columbia Gateway, in addition to Integral Systems migration from Prince George's County to Columbia. Vacancy rates for the metro area rose two basis points, considerably a positive indicator that the market is remaining stable in turbulent economic conditions for the nation.

HISTORICAL AVERAGE ASKING LEASE RATES

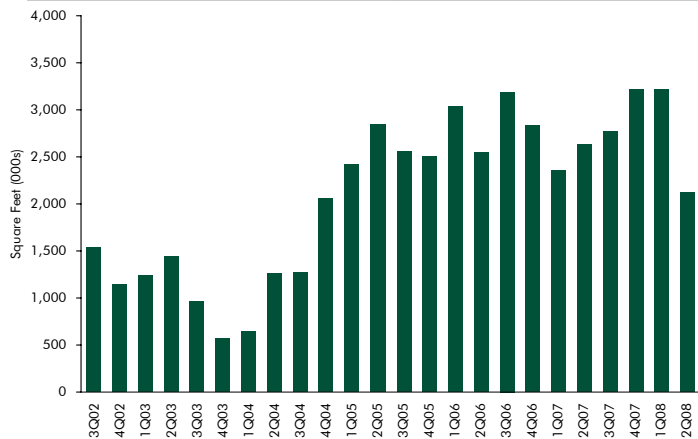
Avg Asking Lease Rate \$23.16



Lack of significant activity in 2008 has modified approaches to asking rents in the Baltimore area. The core submarkets along the I-95 corridor and I-83 corridor continued to see asking rents increase in small increments, while some of the more tertiary submarkets experienced a slight reduction in asking rents. Those areas are typically comprised of non-institutional grade antiquated buildings, and some owners have dropped asking rents to entice prospects in the market. Despite the shift in the rental rate trend, the amount of well-located, high-quality product has increased in recent years, demanding higher rates than the declining percentage of functionally obsolete buildings.

CONSTRUCTION ACTIVITY (SF)

SF Under Construction 2,125,425 SF



Over 2.1million square feet is under construction in the Baltimore market, with 43% preleased. The Baltimore City East submarket contains the largest quantity of space in the region under construction. The largest project in the submarket is a build-to-suit for Legg Mason, which signed for 354,845 square feet of the 579,230 square foot project. New construction in the pipeline is beginning to diminish due to an abundance of recent deliveries and lack of tenant activity.

MARKET OUTLOOK

Some prospective tenants remain hesitant to fully commit to spaces, but all signs point to a more active second half of 2008 in terms of net absorption.

The life sciences and bio-tech industries are exhibiting increasing growth in the Baltimore area due to world class medical facilities, a highly educated labor pool, and a supportive local government.

Vacancy rates in 2009 are expected to rise in the Central Business District after Legg Mason relocates to their new space in Harbor East. Since absorption has steadily declined in the Central Business District throughout 2008, the outlook for downtown office space in 2009 could be downbeat if new tenants or expanding businesses are not able to backfill the vacant space.

TOP 2Q 2008 BALTIMORE LEASE TRANSACTIONS

Size (SF)	Tenant	Address	Submarket	Type
131,451	Integral Systems, Inc.	6721 Columbia Gateway Drive	Columbia	New
75,450	MD Insurance Administration	200 Saint Paul Street	CBD	New
66,551	Sinclair Broadcast Group	10706 Beaver Dam Road	Hunt Valley	Renewal
63,000	University of Maryland	801 West Baltimore Street	CBD	New

BALTIMORE SUBMARKET MAP



AVAILABLE SQUARE FEET

Available building area which is either physically vacant or occupied.

AVAILABILITY RATE

Available square feet divided by the net rentable area.

AVERAGE ASKING LEASE RATE

Rate determined by multiplying the asking lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with leases for all buildings in the summary.

FULL SERVICE

Rent is inclusive of operating expenses and rates.

MARKET COVERAGE

Includes all competitive office buildings 10,000 square feet and greater in size.

NET ABSORPTION

The change in occupied square feet from one period to the next.

NET LEASES

Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

NET RENTABLE AREA

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

OCCUPIED SQUARE FEET

Building area not considered vacant.

UNDER CONSTRUCTION

Buildings which have begun construction as evidenced by site excavation or foundation work.

VACANT SQUARE FEET

Existing building area which is physically vacant and immediately available.

VACANCY RATE

Vacant building feet divided by the net rentable area.

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